

Summary of Business Rules for Accounting for and Reporting of Military Equipment

Contract Close Out Adjustments

Objective

- Prescribe the accounting requirements for contract close out costs.

Baseline Valuation Methodology

- No effect. Contract closeout adjustments are not factored into calculation of baseline valuation costs.

Mid-Term Valuation Methodology

- Expense contract closeout costs that are not considered material in relation to the total cost of the acquisition program in the period incurred.
- Capitalize contract closeout costs that are considered material in relation to the total cost of the acquisition program as part of associated end items (through cost allocation) or separately (requires creation of parent-child relationship in property accountability systems).